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News Release

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Andover man pleads guilty to bank fraud, money laundering

A 51-year-old Andover man pleaded guilty today in federal court to his role in a residential real estate loan scam.

Eric R. Krahnke pleaded guilty to one count of bank fraud and one count of money laundering. He entered his plea Aug. 19 in Minneapolis before United States District Court Judge Joan Ericksen. Krahnke was indicted on Aug. 19, 2008.

According to Krahnke's plea agreement, from March 2003 to October 2003, he executed a scheme to defraud Associated Bank and obtain money by means of false and fraudulent pretenses.

Krahnke was a construction loan officer for the bank from March 2003 to June 2004. During that same period, Krahnke also owned an independent mortgage brokerage company called Worldwide Mortgage & Investments. Krahnke, however, failed to notify the bank of his continued ownership in Worldwide, which he knew was a conflict of interest.

From April 2003 to October 2003, Krahnke accepted as a loan officer for the bank at least 21 real estate loan applications from co-defendant Michael I. Striker, 56, Minnetonka, or his real estate company. He also disbursed more than \$4 million in loans to Striker. Striker pleaded guilty last week to one count of bank fraud and one count of money laundering.

Krahnke admitted bypassing the bank's normal loan approval process to get the loans processed and the money disbursed to Striker. In return, Krahnke not only received commissions from the bank for originating the loans, but he also received more than \$108,000 in payments from Striker through Worldwide. These payments were called broker fees in loan documents even though Worldwide did not broker any of the loans.

Krahnke faces a potential maximum penalty of 30 years in prison on the bank fraud count

and 10 years on the money laundering count. Striker faces the same potential penalties. Judge Ericksen will determine their sentences at a future date.

This case is the result of an investigation by the Internal Revenue Service-Criminal Investigation Division. It is being prosecuted by Assistant U.S. Attorneys William J. Otteson and John Docherty.